

Chapter 11 Rent Comparability Reviews

Referral to OMHAR and Assignment to PAE

SECTION 11-1

- A. **Referral to OMHAR from Multifamily Hub or Program Center.** When an owner determines the Section 8 contract rents are at or below-market, and is seeking Section 8 contract renewal without restructuring or a reduction in rents, the Multifamily Hub or Program Center may request an OMHAR determination of market rents. For purposes of Mark-to-Market eligibility, OMHAR will presume the project's rents are above-market, based on the Multifamily Hub or Program Center's concerns.
- B. **Assignment to PAE.** At the time of assignment, OMHAR Headquarters will notify the owner, with a copy to the Multifamily Hub or Program Center and the PAE, that Housing has referred the project to OMHAR for a rent comparability review.

Rent Comparability Review Requirements

SECTION 11-2

- A. **Commissioning the Market Rent Study.** The PAE will contract for a Market Rent Study, to determine market rents in accordance with "Statement of Work A - Rent Comparability Studies," in Appendix H.
- B. **PAE Review.** The PAE will perform a desk review of the Rent Comparability Study prepared by their Appraiser and of any Owner's submission. In preparing the Rent Comparability Review Report to OMHAR (Form 11.1), the PAE is not required to conduct a site visit. A site visit will be required if, and when, the asset status subsequently changes to a Lite, or a Full debt restructuring.

- C. **PAE Conclusions.** The PAE will document its Rent Comparability Review conclusions and submit them to the OMHAR Regional Office using Form 11.1 within 75 days of asset assignment. The PAE will discuss their analysis with the Multifamily Hub or Program Center if requested.
- D. **OMHAR Review.** OMHAR will review the PAE's market rent determinations and either accept or request additional information substantiating the PAE's conclusions. When the PAE's recommendation is approved, the OMHAR Regional Office will notify the Multifamily Hub or Program Center, and the PAE, of the market rent conclusions, by sending Form 11.2 and a copy of the Rent Comparability Grid.
- E. **Owner Notification.** The Multifamily Hub or Program Center will transmit the OMHAR market rent determination to the owner.

Processing Upon Completion of Review

SECTION 11-3

- A. **Rents At or Below-Market.** If rents are determined to be at, or below-market, the property is not eligible for M2M.
- B. **Rents Above-Market.** If rents are determined to be above-market, and the property is eligible for M2M, the Multifamily Hub or Program Center will provide the owner with the opportunity to submit an amended election (under Housing Notice 99-36, and subsequent guidance).
 - 1. Owner Opts for Full Restructuring. If the owner requests a full debt restructuring, OMHAR will assign the project to the PAE for processing and the PAE will request the appraiser to upgrade its Market Rent Study to a Limited Scope Appraisal. (Whenever possible, the PAE should develop prior agreements with the appraiser for expeditious upgrading of a market rent study to a limited scope appraisal.)
 - 2. Owner Opts for Contract Renewal at Reduced Rents without Debt Restructuring. If the owner requests Section 8 contract renewal at reduced rents, without debt restructuring (i.e., a Lite), OMHAR will assign the project to the PAE for processing and the previously completed Market Rent Study will be used for the rent restructuring.
 - 3. Owner does not submit an election. If the owner elects not to submit an amended election and the Multifamily Hub or Program Center

elects to renew the Section 8 contract, the new contract will be renewed at the OMHAR approved reduced rents.

Appeal Process for Rent Comparability Reviews

SECTION 11-4

- A. **General.** The owner has **one** opportunity to appeal the OMHAR decision related to the Rent Comparability Review. The Multifamily Hub or Program Center will notify the owner of its appeal right upon receipt of Form 11.2 from the OMHAR Regional Office, detailing OMHAR's market rent determination.
- B. **Content and Timing of Owner Appeal.** If the owner elects to dispute OMHAR's conclusion of the comparable market rents, the owner has 20 business days from notification by the Multifamily Hub or Program Center, to submit an appeal letter with supporting documentation to the OMHAR Regional Office Director. The appeal should address all points of disagreement (e.g., selection of comparables, rent adjustments, etc.) with OMHAR's conclusions. The owner should also provide a copy of the appeal letter to the Multifamily Hub or Program Center.
- C. **OMHAR Review.** The OMHAR Regional Office will review the appeal, and respond within 10 business days of receipt of the owner's appeal.
- D. **Owner Notification.** The OMHAR Regional Office will notify the owner, the PAE, and the Multifamily Hub or Program Center of its decision after reviewing the owner's appeal.

Business Forms

SECTION 11-5

- 11.1 PAE Rent Comparability Review Report to OMHAR
- 11.2 OMHAR Rent Comparability Review Determination